DOCUMENT RESUME

ED 328 952 EA 022 547

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TITLE Education, Adjustment, and Democracy in Latin America. Development Discussion Paper No. 363.
INSTITUTION Harvard Univ., Cambridge, MA. Inst. for International Development.
PUB DATE Nov 90
NOTE 75p.
PUB TYPE Information Analyses (070)

EDRS PRICE MF01/PC03 Plus Postage.
DESCRIPTORS Access to Education; *Economic Change; Educational Development; *Educational Finance; Elementary Secondary Education; Enrollment Rate; Expenditure per Student; Financial Problems; Foreign Countries; Grade Repetition; Latin American History; Politics of Education; Resource Allocation; Teacher Salaries
IDENTIFIERS *Costa Rica; Latin America; *Venezuela

ABSTRACT

This document examines changes in Latin American economies and educational systems during the 1980s and the responses of the Latin American democracies. Following a description of changes in Latin American public expenditures in the 1980s and subsequent adjustments in education expenditures, the dynamics of the adjustment in Costa Rica and Venezuela are detailed. Background information on education in Costa Rica and Venezuela is provided and inequalities in educational quality and access in those countries are identified. The document describes the countries' economic crises of the 1980s and the resulting changes in the amount and structure of educational expenditures and other distortions of the countries' financial adjustments. Several related effects are also described:(1) a decline in teacher salaries and the quality of school buildings; (2) changes in teacher-student ratios; (3) an increase in the percentage of students repeating grades; (4) increased or persistent educational inequality among different income groups; (5) changes in the numbers of institutions, teachers, and students by educational level; and (6) a decrease in instructional effectiveness. Last, the increased inefficiency of the educational decision-making powers in Latin America is described and suggestions to reverse the recent decline are proposed. Included are 20 tables and 4 figures. (CLA)

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ED328952

Development Discussion Papers

EDUCATION, ADJUSTMENT, AND DEMOCRACY IN LATIN AMERICA

Fernando M. Reimers

Development Discussion Paper No. 363

November 1990

Harvard Institute
for International Development

HARVARD UNIVERSITY

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ABSTRACT

The 1990s saw democracy return to many Latin American countries and increased expectations that state policy would move in the direction of broadening educational opportunities for the population. The World Conference on Education for All, which took place in March 1990 in Thailand, added to the stimulus for the development of education. Yet, the Latin American experience during the 1980s does not inspire optimism. The new democracies in the region will face a new economic scenario of adjustment. The challenge will be to reconcile the democratic aspirations of expanding and improving education with the new economic realities. This task might be informed by an analysis of the recent experiences of educational systems in Latin America and particularly in established democracies in the region.

This paper examines changes in educational finance in Latin America brought about by the adjustment programs implemented during the 1980s. The paper presents first an overview of these changes for the countries of Latin America and illustrates the dynamics of the adjustment for the cases of Costa Rica and Venezuela.

The paper finds that the adjustment has changed the scenario in which education policy decisions are made. This change has led to a decline in the fiscal and political support for education. It has also led to distortions in the distribution of expenditures inside the education sector. The cuts seem to have been implemented according to criteria of short-term political feasibility to the detriment of long-term efficiency and equity.

The impact of the adjustment has been disproportionate in the lower levels of education, in non-recurrent expenditures, and in non-salary items. Long-term increases in inequality will result from the impact in basic education. A loss of internal effectiveness will result from the change in the mix of inputs: teachers without teaching materials, dilapidated buildings, students without scholarships, lack of supervision, and training for teachers. The case studies suggest a decline in the quality of education and in the provision of access.

The paper concludes by proposing suggestions to reverse the recent decline. In particular, suggestions are given to strengthen policy analysis capacity of the ministries of education to expand the understanding of policy elites about the challenges facing education in the region.

Fernando M. Reimers is an institute associate at the Harvard Institute for International Development.

EDUCATION, ADJUSTMENT, AND DEMOCRACY IN LATIN AMERICA[1]

Fernando Reimers[2]

Introduction

The 1980s were years of democratization in many Latin American countries. They were also very difficult years for the Latin American economies. This has led several scholars to ponder the links between debt and democracy and to examine the different directions in which these can influence each other:

> The link between these two processes is controversial. Did the economic crisis trigger the political change? Will the same crisis destabilize the very democracies it brought about? Will the type of regime influence the selection of policies to deal with the economic problems? Will it affect governments' ability to implement chosen policies? It is not

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[1]By Latin America I refer here to the countries of the region sharing historical and institutional heritage, that is the spanish-speaking countries, plus Brazil and Haiti.

[2]I acknowledge, with thanks, the comments and suggestions given by several friends and colleagues on this paper. Eleonora Villegas-Reimers has been patiently giving feedback to my writing on this subject. Dwight Perkins encouraged me to expand my analysis from the region into case studies of specific countries. Merilee Grindle helped me see how her framework of political economy applies to finding policy alternatives to develop education and made suggestions to a draft of this paper. Michael Roemer also gave valuable feedback and suggestions to a draft of this paper. Moises Ramirez kindly shared many of his experiences in CORDIPLAN and made suggestions to a draft of this paper. Jorge Dominguez, Frances Hagopian, and the participants of the Latin American Seminar at Harvard raised many important questions and suggestions when I presented this paper at the seminar. I am also indebted to Eduardo Velez at the LATHR of the IBRD and to many colleagues in Venezuela for helping me obtain the information in which this paper is based. As usual, I alone bear responsibility for the facts and interpretations presented in this paper.

coincidence that these questions are controversial, for they are very difficult to answer.[3]

This paper assumes that the stabilization of democracy in the region and the resumption of economic growth and development will require special attention to activities that foster human development. Education is the most important of those activities. The paper further assumes that new initiatives in the field of education should be based in an analysis of the recent past.

This paper examines the changes experienced by the education systems of Latin America during the 1980s and how consolidated democracies in the region responded to these challenges.

At the 1979 regional meeting of Ministers of Education of Latin America, the participants signed the "Mexico Declaration," which launched the Principal Project (Proyecto Principal) for Latin America and the Caribbean. The Principal Project outlined three main objectives for the development of education in the region: 1) the elimination of illiteracy; 2) the extension of basic education from eight to ten years; and 3) the improvement of the quality of basic education. To finance the activities to implement these objectives the declaration proposed increasing educational expenditures toward the ambitious goal of 7 percent to 8 percent of GDP. Why were the Latin American delegates subscribing to the same objectives eleven years later at the

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[3]B. Stallings and R. Kaufman, eds., Debt and Democracy in Latin America (Colorado: Westview Press, 1989), p. 1.

World Conference on Education for All in Jomtien, Thailand? Perhaps the answer is the same that explains why the Latin American caucus at Jomtien lobbied so effectively to include in the declaration a reference to the tradeoffs between the debt burden and the achievement of universal basic education.[4]

What the Ministers of Education meeting in Mexico in 1979 did not anticipate was that three years later that same country would be declaring a moratorium on its external debt. The Mexican moratorium is a landmark in the recognition of a Latin American debt crisis. Through the 1980s the economies of Latin America experienced severe adjustments,[5] experimented with all variations of stabilization and adjustment: orthodox adjustment, heterodox adjustment, adjustment with incomes policy support. In spite of

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[4]"No fewer than 13 Latin American countries along with France and Ivory Coast were signatories to a recommendation that targeted debt as the main problem, presented debt-service or attending to basic needs as alternatives, and placed responsibilities on the North to take the initiative." E. King, ed., 1990, Norrag News, p. 6.

[5]Some of these were self-imposed, some of them were the result of negotiations with international institutions such as the IMF. As countries and international institutions have gained experience, there has been a shift toward emphasizing long-term objectives in adjustment programs. The purpose of this paper is not to examine the differences between alternative types of adjustment but rather to examine how education fares when governments made efforts to close the budget deficit. Clearly the results of this analysis should not be extrapolated to all kinds of adjustment, especially to the more recent proposals emphasizing "adjustment with growth" and "adjustment with a human face." In summary, while I recognize that it is theoretically possible to design adjustment programs that have a long-term focus and emphasize growth, equity, and poverty alleviation, my focus here is to review the actual experience of the education sector in Latin America in the 1980s.

all these efforts, the 1980s have been described as the "lost decade" of Latin America. During most of the 1980s, the adjustment programs had an inherently short-term focus, reflecting the perception of the debt problem mainly as a short-run problem that would be solved by reaching balance of payments equilibrium and closing the fiscal gap.[6] It was this short-term focus of adjustment that lead several authors to propose that the debt could jeopardize long-run development.[7]

> When the debt crisis broke, and for some time thereafter, the prevailing view in international financial and development circles was that while prompt and vigorous action by both creditors and debtors was imperative, appropriate corrective actions could fairly rapidly restore balance and permit resumed growth...Proponents of this view expected that the "fix" would be painful but quick-a matter of a few years at most...It was also widely recognized that in addition to the stabilization and correction of price distortions, sustainable growth would usually require medium-term, supply-side changes-altered patterns of investment and more efficient production. Precisely to encourage these medium-term reforms, the World Bank in 1980 introduced Structural Adjustment Loans (SALs), later supplemented by Sector Adjustment Loans (SECALs). But even the "medium term" was fairly brief: the Bank initially assumed that structural adjustment lending to a country would continue for three to five years.[8]

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[6]S. Ficher and I. Husain, "La Crisis de la Deuda en los Años Noventa," Finanzas y Desarrollo, June 1990, pp. 24-27.

[7]C. C. Carvounis, The Foreign Debt/National Development Conflict (Connecticut: Quorum, 1986).

[8]J. Nelson, "The Politics of Long-Haul Economic Reform" in J. Nelson, et al., Fragile Coalitions: The Politics of Economic Adjustment (New Brunswick: Transaction Books, 1989), p. 5.

The ministers of education who launched the Principal Project had good reasons to be optimistic. Since the 1950s, education in Latin America had experienced a remarkable quantitative expansion. The growth of net school enrollments for six to eleven year old children in Latin America between 1965 and 1970 averaged 5.35 percent per year; this growth outpaced the growth of the population six to eleven during the same period (3.06 percent).[9] The average annual growth of primary school children (3.53 percent) almost doubled that of the primary school age population (1.95 percent) between 1970 and 1975, and also between 1975 and 1980 (3.10 percent vs. 1.51 percent). This quantitative expansion of educational systems would not have been possible without major improvements in educational finance. National public expenditures in education in the region increased noticeably. Between 1965 and 1970, educational expenditures as a percentage of GNP increased at an average annual rate of 2.42 percent; as a percentage of government expenditures they increased at an average annual rate of 1.53 percent. It was against this background of quantitative development that the

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[9]These figures are from F. Reimers, Education for All in Latin America in the Twenty-First Century: The Challenges of Jomtien (Cambridge: Harvard Institute for International Development, Development Discussion Paper, No. 358, September 1990).

conference in Mexico in 1979 set further targets for the improvement of qualitative aspects of educational systems.[10]

But the Mexican moratorium came and with it the recognition that one country after another in the region had their own debt problem.[11] As the willingness of creditors to lend declined the pressures to adjust increased.

Once governments are faced with the fact that they have to cut their spending, the next question is what has to be cut and the magnitude of the cuts for each sector. Several studies have documented a negative impact of the adjustment process on education Latin America.

One study analyzed the social effects of the adjustment in Mexico and concluded that education was one of the hardest-hit areas. In one single year, between 1982 and 1983, educational expenditures fell from 5.5 percent to 3.9 percent of GDP and from 9.3 percent to 7.9 percent of the total government budget.[12] A similar report for Costa Rica concluded that "during the crisis

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[10]Since the 1950s, the ministers of education in Latin America hold regional meetings which serve to develop policy frameworks to guide national initiatives.

[11]Latin America is the most indebted region of the world. Eleven of the seventeen most highly indebted countries in the world are in Latin America (World Bank, World Debt Tables, Vol. 1, [Washington, D.C.: World Bank, 1988], p. xviii.)

[12]H. Dieguez, Social Consequences of the Economic Crisis (Mexico: mimeo, 1986), p. 16.

[of 1981-82] dropout rates increased and enrollment rates decreased."[13]

Psacharopoulos and Steier directly examined the hypothesis that high debt service payments result in reductions of public expenditures on long gestation social investments such as education and health. The authors conclude that the reductions in education as a percentage of government expenditure in Latin America are related to the increase in government servicing of the debt.[14]

Prawda analyzes how the ballooning share of debt servicing in the Mexican budget led to declines in the share for education and in per pupil expenditures.[15]

Elsewhere I have analyzed the impact of adjustment in education combining aggregate analysis with brief case studies of six countries.[16] A limitation of that research is that the series of data covered only until the early 1980s and the conclusions of the study were offered as preliminary, highlighting the need for further analysis as new data became available.

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[13]M. Vedova, Economic Recession in Costa Rica and Its Consequences on the Poor (Costa Rica: Prodesarrollo, 1986), p. 7.

[14]G. Psacharopoulos and F. Steier, Foreign Debt and Domestic Spending: An International Comparison (Washington, D.C.: World Bank, 1987), p. 3.

[15]J. Prawda, Logros, Inequidades y Retos del Futuro del Sistema Educativo Mexicano (Mexico: Editorial Grijalbo, 1989), pp. 182-193.

[16]F. Reimers, Deuda Externa y Financiamiento de la Educación (Santiago: UNESCO, 1990).

These studies focused on the changes in aggregate patterns of educational spending. Because they examined data corresponding to the earlier part of the crisis, the links between reductions in expenditures and educational quality were suggested rather than examined. It is sensible to propose that there are lagged effects from budget cuts to declines in quality.

In this study I examine the latest available data, presenting first an overview of the changes in public educational expenditures for the countries of Latin America during the 1980s and of the changes in other indicators of educational efficiency. The dynamics of the adjustment are then discussed for the cases of two countries--Costa Rica and Venezuela--in which educational development was for many years stated as a pillar of democracy.

Reductions in Levels of Educational Expenditures

What has been the impact of the adjustment programs implemented during this past decade in government financing of education? Table 1 shows that the average annual rate of growth of constant expenditures in education is higher before 1980 than in the 1980s. Between 1975 and 1980 total expenditures in education grew in all countries of the region. Between 1980 and 1985 total expenditures declined in real terms in twelve of the eighteen countries for which we have data. In addition, the rate of growth of total expenditures declined in three other countries. Only three countries (Honduras, Nicaragua, and Panama) experienced higher rates of growth after 1980 than before. In

1985 Panama had, after Haiti, the lowest level of external debt servicing as a percentage of exports, with the consequent lesser pressure to adjust its economy. The Central American conflict translated into high levels of foreign aid to Honduras, with similar reduced pressures to adjust its economy. A higher priority accorded to education during the Nicaraguan Revolution may explain the drastic increase in the rate of growth of expenditures from 1.63 percent per year between 1975 and 1980 to 12.47 percent per year between 1980 and 1985.[17]

[17]A recent account of the educational reforms implemented during the Nicaraguan Revolution suggests that many new programs of adult education were developed during this period. The 10% average annual growth in figures of education expenditures of the central government (1980-85) reported in this account is consistent with the spectacular growth observed here. (J. Arrien and R. Matus, Nicaragua: Diez Años de Educación en la Revolución [Managua: Claves Latinoamericanas, 1989]).

Table 1. Changes in Total Government Educational Expenditures (Constant 1985 dollars, in millions) in Latin America Before and After 1980.

Country	Constant US Dollars 1985			Average Annual Growth (%)		
Country	1975	1980	1985	1975-80	1980-85	1975-85
Argentina	1651.00	2643.00	1200.70	9.87	-14.60	-3.13
Bolivia	117.80	161.00	12.10	6.45	-40.41	-20.35
Brazil	4480.10	7168.30	7987.30	9.86	2.19	5.95
Chile	448.40	727.50	630.10	10.16	-2.83	3.46
Colombia	520.50	578.20		2.12		
Costa Rica	129.60	278.10	162.10	16.50	-10.23	2.26
Cuba						
Dom. Rep.	72.40	93.10	75.30	5.16	-4.16	0.39
Ecuador	250.40	579.80	415.40	18.28	-6.45	5.19
El Salvador	137.30	163.70	110.20	3.58	-7.61	-2.17
Guatemala	120.10	187.60	168.70	9.33	-2.10	3.46
Haiti	16.60	31.00	23.50	13.31	-5.39	3.54
Honduras	83.00	100.90	144.90	3.98	7.51	5.73
Mexico	4246.10	4701.90	4424.40	2.06	-1.21	0.41
Nicaragua	82.10	89.00	160.20	1.63	12.47	6.91
Panama	176.10	198.90	237.00	2.46	3.57	3.01
Paraguay	26.80	44.40	46.90	10.62	1.10	5.76
Peru	533.10	545.40	459.40	0.46	-3.37	-1.48
Uruguay		133.80	123.90		-1.53	
Venezuela	2612.10	2910.60	3215.10	2.19	2.01	2.10

Derived from: Lockheed, M. and A. Verspoor. 1989. Improving Primary Education in Developing Countries: A Review of Policy Options. Manuscript. World Bank. Statistical Appendix.

With rising populations, these reductions in the rate of growth of expenditures led to net reductions in expenditures on education per capita as can be seen in Table 2.

Table 2. Total Government Expenditures in Education Per Person in 1985 U.S. dollars, in Latin America, by Country, 1975-1985.

Country	Expenditure per capita in constant US $ 1985			Annual Growth Rates (Percentages)		
	1975	1980	1985	1975-80	1980-85	1975-85
Argentina	63.37	93.60	39.28	8.11	-15.94	-4.67
Bolivia	24.07	28.75	1.88	3.62	-42.03	-22.50
Brazil	42.69	59.10	58.92	6.72	-0.06	3.27
Chile	43.98	65.28	51.98	8.22	-4.45	1.69
Colombia	22.01	22.33		0.29		
Costa Rica	65.85	123.88	65.13	13.47	-12.07	-0.11
Cuba						
Dom. Rep.	15.24	17.10	12.06	2.34	-6.75	-2.31
Ecuador	35.59	71.38	44.30	14.93	-9.10	2.21
El Salvador	34.28	36.31	22.87	1.16	-8.83	-3.97
Guatemala	19.24	27.12	21.19	7.11	-4.82	0.97
Haiti	3.62	6.19	4.48	11.31	-6.28	2.14
Honduras	26.83	27.34	33.14	0.37	3.93	2.13
Mexico	70.60	67.76	56.77	-0.82	-3.48	-2.16
Nicaragua	37.97	32.56	48.95	-3.03	8.49	2.57
Panama	103.35	101.69	108.72	-0.32	1.35	0.51
Paraguay	9.98	14.11	12.70	7.17	-2.08	2.44
Peru	35.16	31.54	23.32	-2.15	-5.86	-4.02
Uruguay		46.01	42.27		-1.68	
Venezuela	206.25	193.73	185.66	-1.24	-0.85	-1.05
Unweighted Average Growth				4.29	-6.14	-1.34

Derived from: United Nations: Demographic Yearbook: 1984, 1987, and Lockheed and Verspoor 1989.

While expenditures in education per capita decreased in real terms in five countries between 1975 and 1980, they decreased in sixteen countries between 1980 and 1985. The only exceptions are Honduras, Nicaragua, and Panama, may be due to the reasons offered earlier. On average (unweighted) per capita expenditures

in education increased by 4.29 percent per year between 1975 and 1980, while they decreased by 6.14 percent between 1980 and 1985. The progress in educational finance made in the 1970s was undone in the 1980s.

I have shown elsewhere[18] that these cuts in education have been so disproportionate to the trends of government expenditures that since 1970 education has also declined relative to total government expenditures or to GNP. Figure 1 summarizes the changes in total educational expenditures as a percentage of government expenditures at the national level. We can see that for most of the countries there are reductions, averaging 1 percent per year for the region.

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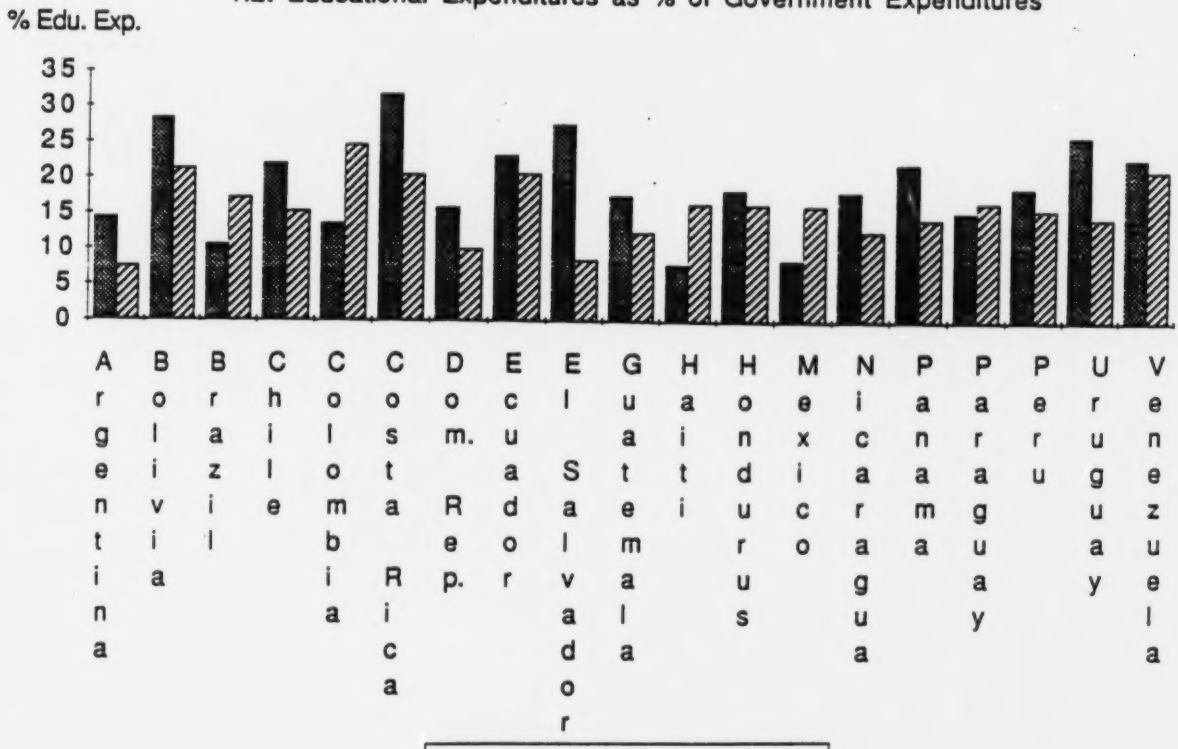
[18]F. Reimers, "The Role of Organisation and Politics in Government Financing of Education: The Effects of 'Structural Adjustment' in Latin America," Comparative Education, 1991, 27(1):33-49.

Figure 1: Changes in Levels of Educational Expenditures as a Percentage of Total Government Expenditures.

1.1: Average Annual Growth (Percent) in Education as a % of Govt. Exp.

1.2: Educational Expenditures as % of Government Expenditures



* 1982: El Salvador; 1983: Bolivia; 1984: Guatemala; 1985: Brazil, Chile, Ecuador, Haiti, Mexico, Paraguay, Venezuela. 1986: Others.

Source: Statistical Yearbook. (Paris: UNESCO. 1975-88)

These data support the hypothesis that the adjustment programs created the climate that prompted not only cuts in education expenditures in real terms, but also a reduction of the levels of education expenditures relative to total expenditures of the government and to GNP. This indicates that the education sector suffered disproportionately the burden of the adjustment and that the promises of the 1970s were dashed in the 1980s.

But the impact of the adjustment does not stop with disproportionate reductions of the education budget. These reductions in turn are accompanied by changes in the structure of the education budget, changes which are not justified on efficiency and equity grounds.

Because of institutional and structural rigidities in the formulation of the education budget and because budgeting is not only a technical activity but a political one,[19] some items are easier to cut than others. Particularly affected are school buildings, and, hence, the percentage of recurrent expenditures increases in most of the countries between 1980 and 1986.[20] Expenditures in teaching materials also suffer disproportionately as do the lower levels of education.

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[19]A study of educational decision making in Mexico concludes that politics has a pre-eminent role to play in budgeting and planning. N. McGinn, et al, La Asignación de Recursos Económicos en la Educación Pública en México (Mexico: Fundación Javier Barros Sierra, 1983).

[20]F. Reimers, "The Role of Organisation and Politics..." p. 40.

This disproportionate impact of the adjustment in primary education in most countries is supported also by a decline in the constant recurrent expenditures per primary school student between 1980 and 1985 in eight of the fifteen countries for which we have data as can be seen in Table 3.

Table 3. Recurrent Expenditures Per Primary Student in Latin America, in 1985 Dollars.

Country	Recurrent expenditure per primary school student			Average Annual Growth (Percent)		
	1975	1980	1985	1975-80	1980-85	1975-85
Argentina	117.20	228.50	200.40	14.29	-2.59	5.51
Bolivia	82.70	93.10		2.40		
Brazil	110.10	142.10	133.20	5.24	-1.29	1.92
Chile	64.20	134.90	155.20	16.01	2.84	9.23
Colombia		57.40	93.20		10.18	
Costa Rica	185.40	204.20	149.40	1.95	-6.06	-2.14
Cuba						
DomRep	24.00	23.30	25.00	-0.59	1.42	0.41
Ecuador		73.10	105.70		7.65	
El Salvad	98.20	114.30		3.08		
Guatemala	103.20	74.00		-6.44		
Haiti	19.50	22.90	13.80	3.27	-9.63	-3.40
Honduras		94.50	91.50		-0.64	
Mexico	103.30	116.70	71.80	2.47	-9.26	-3.57
Nicaragua	105.70	73.70	119.30	-6.96	10.11	1.22
Panama	192.80	255.70	260.50	5.81	0.37	3.06
Paraguay			24.50			
Peru	73.70	73.40	42.40	-0.08	-10.39	-5.38
Uruguay		185.40	126.10		-7.42	
Venezuela	262.50	168.80	226.60	-8.45	6.07	-1.46

Source: Lockheed and Verspoor 1989.

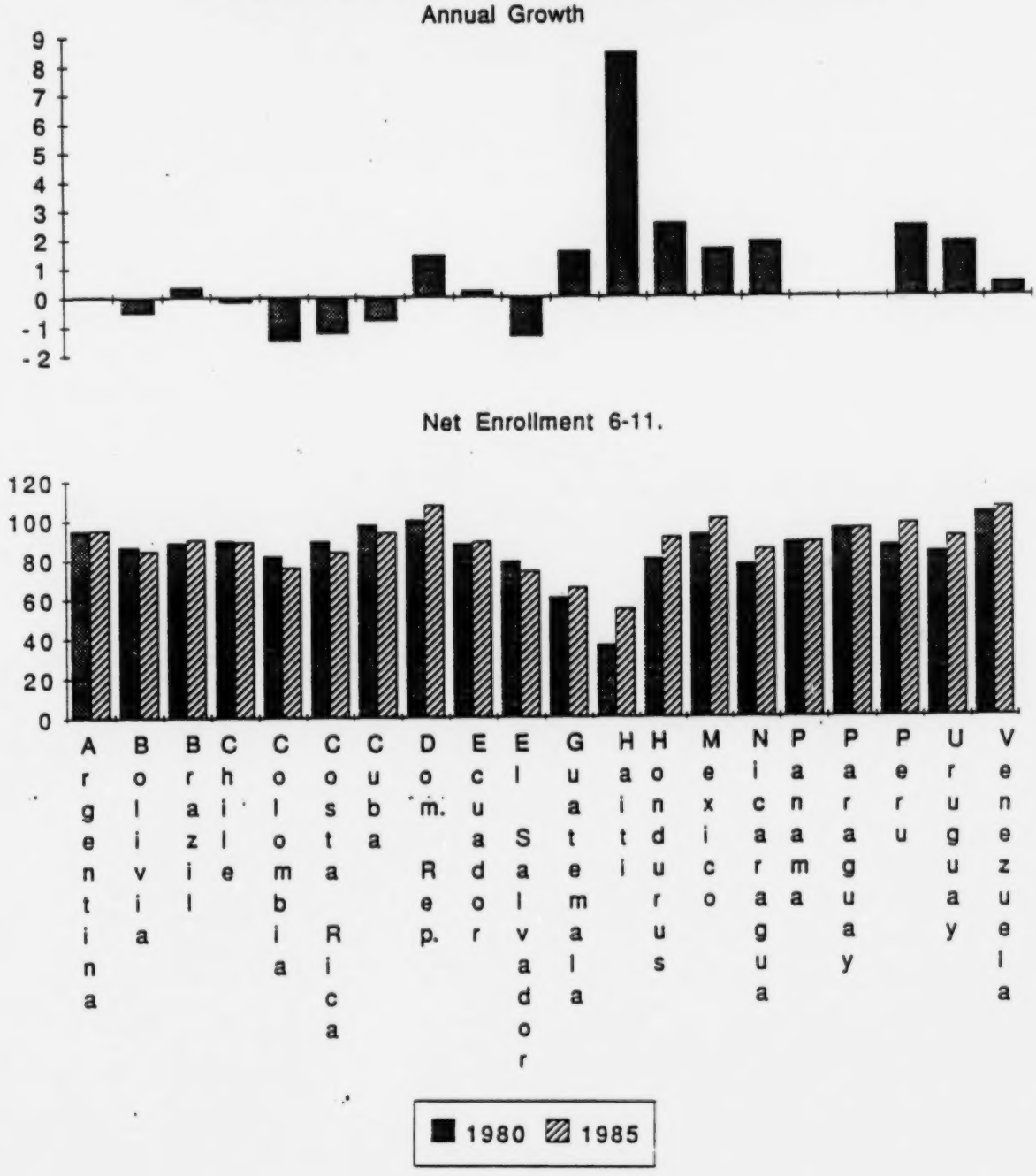
From Declines in Expenditures to Declines in Access and School Quality

This decline in the rate of growth of expenditures per pupil should be interpreted in the context of education systems that

have not yet reached universal enrollments and still need to improve the internal efficiency of primary education. Two phenomenons follow the decline in expenditures: reductions in the percentage of children of school age enrolled in schools and deterioration or lack of improvement in efficiency of the education system, as indicated for instance, in the percentage of children who repeat a grade.

We can observe in Figure 2 that between 1980 and 1985 there are declines in net enrollment ratios in six countries (Bolivia, Chile, Colombia, Costa Rica, Cuba, and El Salvador). In addition in six of the other countries increases in net enrollment ratios average less than 1 percent a year. Only eight countries increase net enrollment ratios by more than 1 percent per year.

Figure 2: Percentage of 6-11 year olds enrolled in school as a proportion of 6-11 year old population in 1980 and 1985.



Source: Lockheed and Vespoor, 1989.

Although there has been improvement in reducing the percentage of children repeating in primary education since 1975, this figure still averages over 11 percent by 1985 as shown in Table 4.

This indicates that there is still room for improvement in the efficiency of primary education. Repetition is a serious problem, on the one hand it may reduce the chances that children will complete primary school as it may suggest to parents that the kid "is not bright enough," on the other hand it means waste of valuable resources, for instance in Brazil out of 24,770,000 children enrolled in primary school in 1985, 20 percent repeated, which means wasteful use of 20 percent of the primary education budget, or almost $5 million in recurrent expenditures alone. The paradox is that because of the way the cuts have been implemented --for instance almost no money left for research and innovation-- it is difficult for the education system to increase its efficiency and make better use of the scarcer resources.

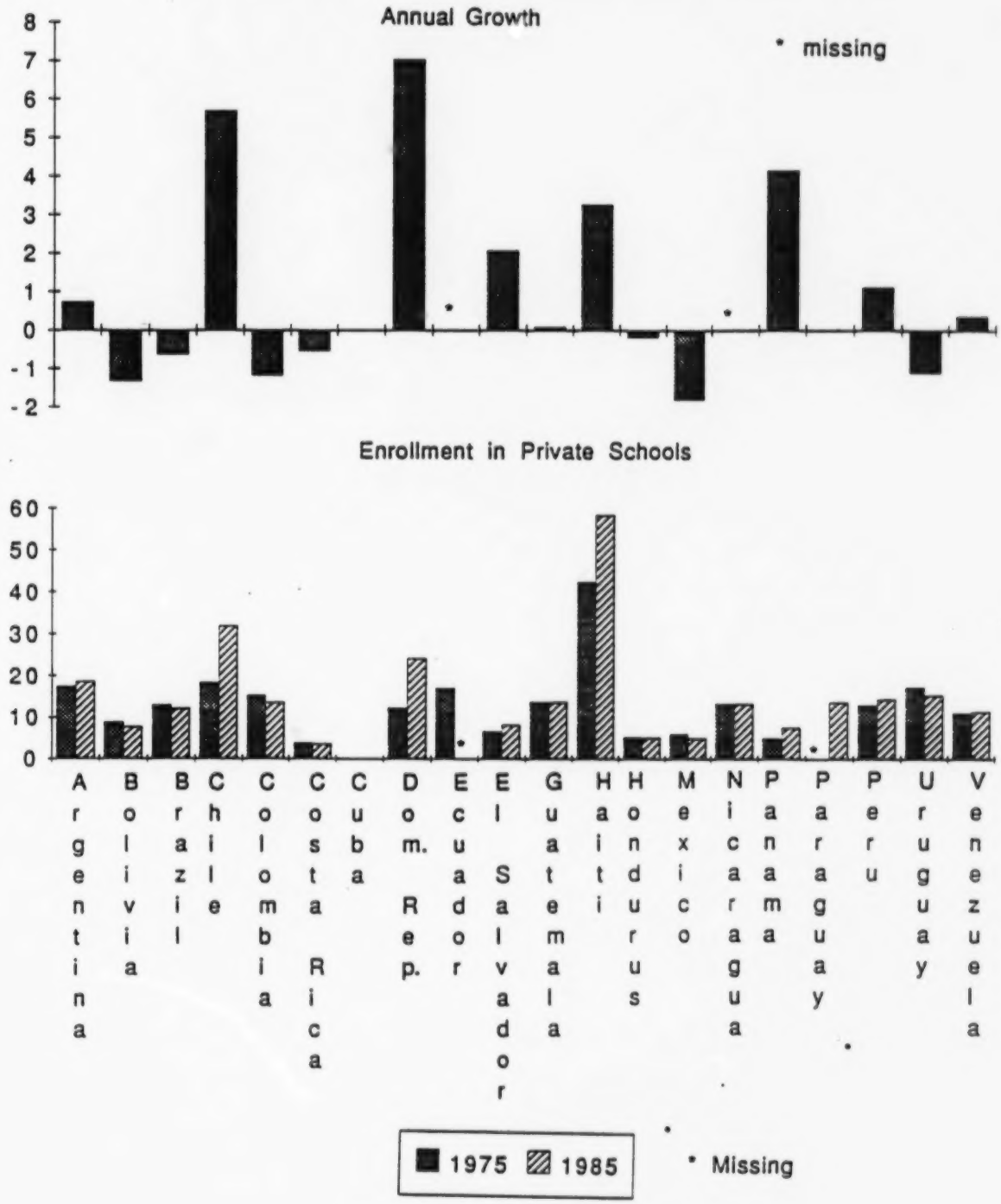
Table 4. Percentage of Children in Primary Education Repeating One Grade in Latin America.

Country	Percentage of Repeaters			Average Annual Growth (Percent)		
	1975	1980	1985	1975-80	1980-85	1975-85
Argentina	8.70					
Bolivia						
Brazil	15.20	20.20	19.70	5.85	-0.50	2.63
Chile	12.50					
Colombia	15.40		17.00			0.99
Costa Rica	6.50	7.90	10.60	3.98	6.06	5.01
Cuba	8.10	5.70	3.20	-6.79	-10.90	-8.87
DomRep		18.00	12.80		-6.59	
Ecuador	11.40	9.70	8.60	-3.18	-2.38	-2.78
El Salvador	7.50	8.80	8.40	3.25	-0.93	1.14
Guatemala	14.80	15.00	13.10	0.27	-2.67	-1.21
Haiti		20.90	9.50		-14.59	
Honduras		16.20	15.50		-0.88	
Mexico	11.00	9.80	9.90	-2.28	0.20	-1.05
Nicaragua	13.70	16.90	15.40	4.29	-1.84	1.18
Panama	12.60	12.70	13.10	0.16	0.62	0.39
Paraguay	15.30	13.60	10.60	-2.33	-4.86	-3.60
Peru	10.20	18.80	14.10	13.01	-5.59	3.29
Uruguay	14.00	12.40	11.30	-2.40	-1.84	-2.12
Venezuela	2.70	9.80	9.40	29.41	-0.83	13.29

Source: Lockheed and Verspoor 1989.

Faced with the decline in the public offer of basic education, there has been a limited surge of private schools in some of the countries, as shown in Figure 3. However this response is only observed in eight of the countries, while in seven there is a decline in the enrollment of primary children in private schools. This increase in private demand could worsen equity as the poor have less resources to contribute to the education of their children.

Figure 3: Percentage of Primary Students Enrolled in Private Schools.



Source: Lockheed and Vespoor, 1989.

This evidence then suggests that the disproportionate reductions in educational expenditures resulting from the adjustment programs that Latin American countries implemented during the 1980s led to distortions in the structure of education budgets, distortions which seem inconsistent with efficiency (e.g. teachers without teaching materials in dilapidated buildings) or equity criteria (e.g. disproportionate impact in primary education). The next section illustrates how the adjustment process led to these distortions in two countries.

The Context: Education, an Important Piece of Two Political Projects of Democratization--Achievements and Underachievements

The main reason to choose Costa Rica and Venezuela as case studies to illustrate the dynamics of the impact of the adjustment on education is that these are highly indebted countries and ones where education was an explicit important priority in the development agenda of all governments in the period examined here. As we will see, education was a core pillar of the democratic aspirations of these countries.

These countries also cover a wide range of level of population size, per capita income, and degree of urbanization in the region.

The income distribution in these countries is typical of other countries in Latin America, as can be seen in Table 5.

Table 5. Percentage Share of Household Income, by Percentile Group of Households in Selected Latin American Countries.

Country	Year	Lowest 20%	Highest 10%
Costa Rica	1986	3.3	38.8
Venezuela	1987	4.7	34.2
Bolivia	1985	5.5	32.1
Brazil	1983	2.4	46.2
Colombia	1988	4	37.1
Guatemala	79-81	5.5	40.8
Peru	1988	4	37.1

Source: World Bank. World Development Report. Washington, D.C.: 199. pp. 236-237.

With a population of 2,700,000, of which 45 percent lives in rural areas, in 1988, and a per capita income of 1,690 U.S. dollars,[21] Costa Rica stands as a case in Latin America of continued government commitment to education. An analysis of the history of education in Costa Rica concludes that the state has traditionally considered education a mechanism of consensus formation and hence "a cornerstone of the political and ideological option of consensual model assumed by our statesmen."[22] In 1868 a law of free and compulsory primary education was passed. Since 1953 Costa Rica has had democratic

[21]World Bank, World Development Report (Washington, D.C.: World Bank, 1990).

[22]A. Fischel, Understanding Educational Reform in International Context: The Dialectic of Human Agency, Ideology, Economy, and the State, presented at the World Congress of Comparative Education, Montreal, June 1989, p. 34.

governments with a strong social democratic agenda.[23] A telling symbol of the government's commitment to education is found in the anecdote that when the national military was abolished, in 1949, the keys to the main military barracks were given to the minister of education.[24]

This long-term support of education has produced one of the highest literacy rates in the region (93 percent) and high participation rates at all education levels. Already in 1965 gross enrollment in primary education was 106 percent; in secondary education it increased from 24 percent in 1965 to 41 percent in 1987; and in higher education it increased from 6 percent in 1965 to 25 percent in 1987.[25]

In spite of these positive features of the education system in Costa Rica, educational opportunities are not equitably distributed for all groups of the population--even though education is free at all levels--this is so probably because families from more favored social backgrounds can forego the

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[23]The Costa Rican social democracy, represented by the Partido de Liberación Nacional, has virtually controlled the legislature and alternated in the presidency with a coalition of smaller parties espousing neo-liberal views. The platform of the PLN assigns the state the role of main agent in the promotion of development and general welfare; they espouse heavy state intervention in the economy and an aggressive social welfare policy (Denton 1985, 490).

[24]C. Denton, "Costa Rica: A Democratic Revolution" in Latin American Politics and Development, H. Wiarda and K. Kline, eds., 488-506 (Boulder: Westview Press, 1985).

[25]World Bank, World Development Report, (Washington, D.C.: World Bank, 1990), p. 235.

opportunity cost of attending school for their children more easily. Table 6 shows the distribution of enrollment by income groups:

Table 6. Distribution of Enrollment by Income Groups in Costa Rica in 1986.

Level of Educ.	Primary	Secondary	Higher	Vocat.
Income Groups:				
20% poorest	30.0	17.8	9.5	20.5
20%	27.0	21.4	5.0	15.8
20%	21.5	23.1	13.5	18.6
20%	13.5	21.2	28.9	21.2
20% richest	8.0	16.5	43.0	23.9

Source: P. Sauma and J. Trejo. 1990. "Evolución Reciente de la Distribución del Ingreso en Costa Rica (1977-1986)" quoted in Riboud, M. 1990. Costa Rica: Public Sector Social Spending. World Bank. Mimeo. p. 18.

In the early 1970s, a university reform attempted to increase the equality of educational opportunity in higher education to all income groups. A study of that reform, however, found that even though more students from lower income groups were admitted, the system became more stratified, with higher proportion of well-to-do students gaining access to universities of better quality. The reform did not change the distribution of students from different social groups.[26]

[26]H. Mendiola, "Reform of Higher Education in Costa Rica: Effects on Social Stratification and Labor Markets" in Comparative Education Review, 1989, 33(3):334-356.

With a population of 18,800,000 in 1988, of which 83 percent lives in urban areas, and a per capita income of U.S. $3,250,[27] Venezuela has made dramatic improvements expanding education over the last thirty years of democratic experience. In 1985, 86 percent of the adult population was literate, and gross enrollment rates in primary education had increased from 94 percent in 1965 to over 100 percent in 1987, in secondary education from 27 percent to 54 percent in the same period, and in higher education from 7 percent to 27 percent.[28] However, there are still problems that have to be solved, particularly with regard to equity in the provision of education.

The importance of education to the development agenda of the State of Venezuela dates back to 1870, when President Guzman Blanco passed a law that made primary education compulsory and free.[29] It is however with the most recent establishment of the democratic regime in 1958 that education becomes an important political priority; two distinguished Venezuelan educators, who have participated in the design of educational policy, put it in these terms:

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[27]World Bank, World Development Report, (Washington, D.C.: World Bank, 1990).

[28] World Bank, World Development Report, (Washington, D.C.: World Bank, 1990).

[29]This commitment to education may date back as far as independence as Simon Bolivar, the leader of the Venezuelan independence movement, often made reference to the importance of education for the establishment of the new republic. "Morals and Enlightenment are Our First Needs" (Moral y Luces Son Nuestras Primeras Necesidades, February 15, 1819) is one of these quotes.

> A fundamental assumption of the political project of the Venezuelan liberal democracy is that a population with higher levels of education will be politically more effective in electing representatives, monitoring the performance of government officials and in general in performing their duties as citizens in a democracy, and especially defending the political system. Many are convinced that military dictatorships are associated to low levels of instruction of the population.[30]

The political priority of education for the State of Venezuela is also expressed in Article 78 of the Constitution of 1960, which reads:

> All [citizens] have the right to be educated. The State will create and sustain schools, institutions and services to insure access to education and culture, without more constrains than those derived from vocation and aptitudes. The education provided in the public institutions will be free in all cycles. However, the law can set exceptions regarding higher and special education, for those persons who have means of fortune.[31]

In 1980 Congress passed the Education Law which expanded compulsory (basic) education from six years to eight years.[32]

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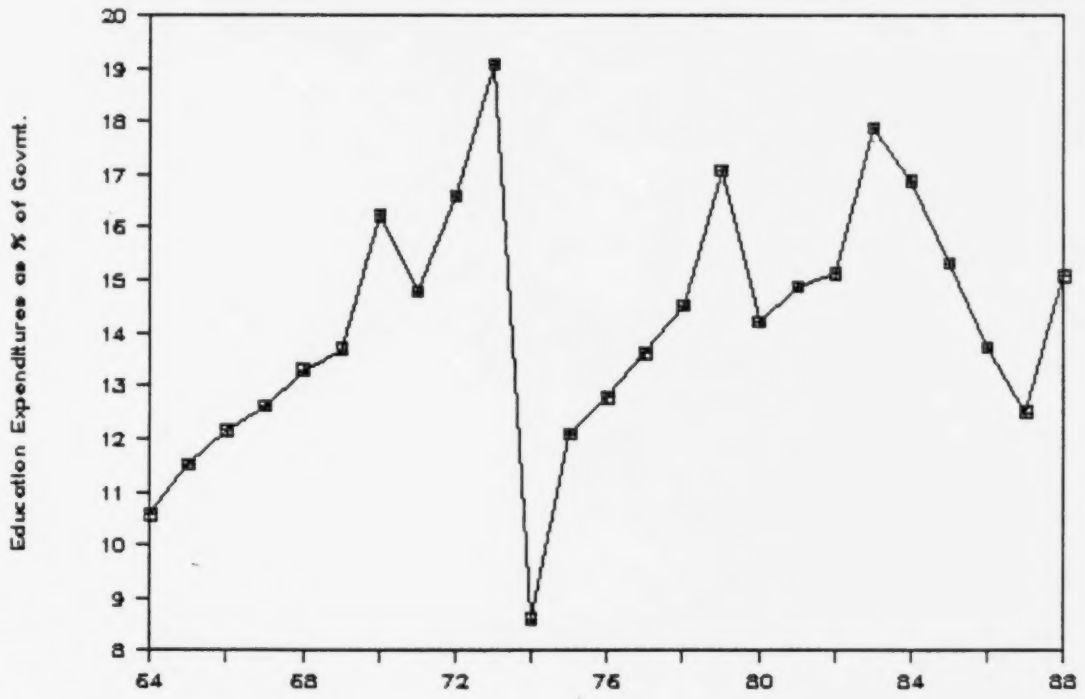
[30]L. Hung and R. Piñango, "Crisis de la Educación o Crisis del Optimismo y el Igualitarismo?" in M. Naim and R. Piñango, eds., El Caso Venezuela. Una Ilusión de Armonía (Caracas: Ediciones IESA, 1984) pp. 422-450.

[31]República de Venezuela. Constitución de la República de Venezuela (Constitución de 1961 Con Enmienda de 1973). Gaceta Oficial No. 662, 23 de Enero de 1961. Enmienda Gaceta Oficial No. 1585, 11 de Mayo de 1973. Imprenta Nacional. Article 78. My translation.

[32]República de Venezuela, Ley Orgánica de Educación (Caracas: Imprenta Nacional, 1980).

The Venezuelan government has allocated a substantial portion of resources to the education sector. Figure 4 shows that this proportion increased from 11 percent in 1964 to 19 percent in 1973, but that it has decreased in recent years, reaching 15 percent in 1988. The sharp decline in 1974 corresponds to a sharp increase in government revenues resulting from the first oil shock, with an increase in total education expenditures in real terms. It is in 1983 that educational expenditures begin to decline in real terms.

Figure 4. Expenditures in Education as a Percentage of Government Expenditures in Venezuela, 1964-88. Source: Ministerio de Educacion. Memoria y Cuenta. Several Years.



Enrollments have responded to these financial decisions. Overall enrollments have expanded drastically over the last thirty years. In the last two decades, this progress has concentrated on the higher levels of the education system. While in 1972 net enrollment ratios in primary school were 83 percent, this figure increased to 86 percent in 1985. For secondary education enrollments increased from 28 percent to 38 percent in the same period. For higher education, enrollments doubled from 11 percent to 25 percent.[33]

Because of this relative neglect of the lower levels of the system, the goal of universal provision of basic education has not yet been achieved in Venezuela. In 1981 there were still 16 percent of children aged six to eleven and six to fourteen who did not attend school.[34] This neglect of the lower levels of education affects especially rural populations and the poor.

Table 7 shows that access to school, especially at the lower levels of education, is biased in favor of urban children. Proportionately more rural children of primary school age are not enrolled in school than their urban counterparts. In 1981, while 79 percent of the population lived in urban areas, 4 percent in intermediate and 16 percent in rural areas, among those not

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[33]E. Schiefelbein, "Venezuela-Social Sector Review" (Washington D.C.: World Bank, Human Resources Division, Technical Department, Latin America and the Caribbean Region, 1988), Table 1.

[34]OCEI, XI Censo General de Población y Vivienda, Total Nacional (Caracas: Oficina Central de Estadística e Informática, 1981).

attending school for all age groups 73 percent were from urban areas and 22 percent from rural areas. If we restrict the comparison to the population aged seven to twenty-four years, 74 percent of those who do not attend school are from urban areas. The bias is sharper for basic education, only 51 percent of those aged seven to twelve who do not attend are from urban areas, while 42 percent are from intermediate areas and 5 percent from rural areas.

Table 7. Access to School for Urban and Rural Populations in Venezuela.

	Urban	p	Intermediate	p	Rural	p	Total
Total	5383081	0.79	293510	0.04	1117387	0.16	6793978
Not attend							
All ages	2000895	0.73	126996	0.04	610031	0.22	2737922
Ages 7-24	1761168	0.74	508863	0.21	108745	0.04	2378776
Basic 7-12	129830	0.51	108377	0.42	14573	0.05	252780
Medium 13-19	706875	0.72	225918	0.23	47514	0.04	980307
Higher 20-24	924463	0.80	174568	0.15	46658	0.04	1145689

Derived from: OCEI. 1981. XI Censo Nacional.

School attendance and progress are also related to family income. Schiefelbein has shown that repetition rates are higher among children of families with lower incomes;[35] for instance in 1986, for the age group five to nine the percentage of repeaters is 3 percent in families earning over Bs. 1,500 a month while it is 6 percent for families earning less than Bs. 700. For the age

[35]E. Schiefelbein, "Venezuela-Social Sector Review" (Washington D.C.: World Bank, Human Resources Division, Technical Department, Latin America and the Caribbean Region, 1988).

group ten to fourteen, 21 percent of the students in families earning more than Bs. 1,500 a month are repeaters, while among those in families earning less than Bs. 700 this figure is 33 percent. For the age group fifteen to nineteen, students of families earning more than Bs. 1,500 a month, the percentage of repeaters is 29 percent, while for families earning less than Bs. 700 this figure is 45 percent. The difference is smaller for the age group twenty to twenty-four as this group represents the survivors of each income group; for students of families earning over Bs. 1,500 a month repetition rates are 39 percent; while for families earning less than Bs. 400, the figure is 32 percent and for families earning Bs. 400-700 38 percent of them repeat.[36]

The same income effect is observed for access to school. The proportion of children who do not attend school is higher among families of lower incomes as can be seen in Table 8.

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[36]E. Schiefelbein, "Venezuela-Social Sector Review" (Washington D.C.: World Bank, Human Resources Division, Technical Department, Latin America and the Caribbean Region, 1988), Table 2.

Table 8. Access to School in Venezuela by Age and Family Income April-June 1986--Figures in Thousands.

Income	Total	Not in School	p
Total	7976	2943	0.37
<400	2060	689	0.33
400-700	2192	729	0.33
700-1000	1446	572	0.40
1000-1500	1190	502	0.42
1500<	1089	454	0.42
Ages 5-9	2219	444	0.20
<400	726	193	0.27
400-700	644	121	0.19
700-1000	352	55	0.16
1000-1500	256	37	0.14
1500<	241	37	0.15
Ages 10-14	2147	205	0.10
<400	676	83	0.12
400-700	641	52	0.08
700-1000	348	29	0.08
1000-1500	259	24	0.09
1500<	223	17	0.08
Ages 15-19	1989	987	0.50
<400	440	230	0.52
400-700	535	256	0.48
700-1000	402	205	0.51
1000-1500	338	171	0.51
1500<	273	127	0.47
Ages 20-24	1622	1307	0.81
<400	218	180	0.83
400-700	372	301	0.81
700-1000	344	283	0.82
1000-1500	336	270	0.80
1500<	351	273	0.78

Derived from: Schiefelbein 1988, Table 2.

In 1986, out of 7,976,000 people aged five to twenty-four, 37 percent were not in school. For the population as a whole there is no bias against lower income groups as 33 percent of those in families earning less than Bs. 400 a month are not enrolled and the corresponding figure for those earning over Bs. 1,500 a month is 42 percent. However, for the lower age groups,

there is a distinct bias against students from low income families. For children with ages five to nine, while only 15 percent of those from families earning over Bs. 1,500 a month are not enrolled in school, this figure is 27 percent for children in families earning less than Bs. 400 a month. The same is observed for the age group ten to fourteen, while 8 percent of students in families earning over Bs. 1,500 a month are not enrolled in school, this figure is 12 percent for children in families earning less than Bs. 400 a month. For higher age groups, there are significant differences by income group.

Access to university is also biased in favor of students from more favored economic backgrounds. In 1986, in the public universities 13 percent of the students came from households headed by university professionals, 13 percent by technicians, 38 percent by business, 21 percent by specialized workers, and 15 percent by non-specialized workers.[37] These figures suggest that university enrollments under-represent students from households headed by workers. A national survey estimated that 43 percent of the households were headed by specialized workers and 25 percent by non-specialized workers.[38] This suggests that for the total population 68 percent of households are headed by workers, while

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[37]OPSU, Boletín Estadístico No. 12, Tomos I-IV (Caracas: Oficina de Planificación del Sector Universitario, 1987).

[38]FUNDACREDESA, El Proceso Educativo Venezolano (Caracas: Fundación Centro de Estudios Sobre Crecimiento y Desarrollo de la Población Venezolana, 1989).

only 36 percent of the student population entering the universities comes from this group.

The distribution of incoming students to higher education by family income is also biased against lower income groups. At the national level, 17 percent of the households earned less than Bs. 1,500 in 1985 and 44 percent earned between 1,500 and 4,000. These two groups, which account for 61 percent of the total population account, for only 51 percent of the student population entering higher education.

The Economic Crisis of the 1980s and the Redefinition of Government Priorities

The immediate origins of the Costa Rican crisis can be found in the plummeting of coffee prices (Costa Rica's primary commodity export) in 1978, the oil shock of 1979, and the deterioration in demand of the Central American Common Market for manufactures at the end of the 1970s due to political upheaval in the region.[39]

> Early in 1980, faced with the seriousness of the economic and financial situation, the Government announced a very strict programme of measures aimed at reducing the serious imbalances in the balance of payments and in the government accounts.[40]

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[39]Inter American Development Bank, Economic and Social Progress in Latin America (Washington, D.C.: IDB, 1982), p. 229.

[40]Economic Commission for Latin America and the Caribbean, Economic Survey of Latin America and the Caribbean 1980 (Santiago: 1982), p. 160.

The public foreign debt ballooned as a way to compensate this deterioration in the terms of trade. In addition, inflationary pressures and negative interest rates fueled capital flight. International reserves were depleted by 1980 and in August 1981 the government declared a moratorium in debt-servicing. Since then, the government has adopted adjustment programs tied to negotiations of debt repayments with private creditors and with the International Monetary Fund (IMF). These programs have included, among other targets, reduction of the budget deficit. For instance, in 1983:

> The Government's economic policy was based on a stabilization program that formed part of the stand-by agreement with the International Monetary Fund (IMF). The agreement was signed in December, 1982, and the resources were fully disbursed by the end of 1983. This program set a number of goals for the fiscal area. One goal was to lower the public sector's global deficit to 4.5 percent.[41]

The pressure to reduce government expenditures was reinforced by subsequent Stand-by-Agreements with the IMF (in 1985, 1987) which were "a precondition to rescheduling of the external debt and to obtaining additional financial resources

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[41]Inter American Development Bank, Economic and Social Progress in Latin America (Washington, D.C.: IDB, 1984), p. 271.

from the World Bank and from the international private banking community."[42]

The adjustment process reduced the priority of Costa Rican education relative to other sectors of government expenditure. Table 9 shows that total government expenditures (of the central government) declined in real terms in 1981 and 1982, regaining their level in subsequent years. Total government expenditures grew, on average, 4 percent per year between 1980 and 1986.

During the two years when government expenditures were cut (1981 and 1982) all sectors suffered net reductions (with the exception of social security in 1981), but those losses were offset by increases in the following years. By 1986 most sectors were spending more than in 1980 in real terms, with the exceptions of education, health, and economic services.[43] Expenditures in education in 1986 were 83 percent of the levels in 1980. Health expenditures in 1986 were 85 percent of what they were in 1980. Economic services were 85 percent of their 1980 levels. The rate of decline of expenditures in education averaged 3 percent per year, and health expenditures declined at an average of 2.7 percent per year. Economic services also declined at 3 percent per year. All other sectors of government

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[42]Inter American Development Bank, Economic and Social Progress in Latin America (Washington, D.C.: IDB, 1986), pp. 246-247.

[43]These include fuel and energy, agriculture, forestry, mining and manufacturing, transportation, communications, and other economic activities.

expenditures increased, this increase was most noticeable in social security and housing. In 1986 general public expenditures were 40 percent higher than in 1980, defense expenditures 8 percent higher (a paradox in a country without army), social security expenditures increased 3.4 times, housing expenditures 4.25 times, and recreation expenditures doubled. The increase in housing expenditures (seemingly at the expense of education and health) suggests a change in the perceived importance of this sector by the politicians. Presidential candidate Oscar Arias campaigned promising a new emphasis in public housing: "Taking into consideration that our country had reached important achievements in the areas of public health and education, Arias believed it was a good time to give preference to other needs and demands of the Costa Rican Society."[44]

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[44]Fischel, 1989, op. cit., p. 32.

Table 9. Total Expenditures of the Central Government in Costa Rica in Constant Millions of Colones (1980) and Annual Growth in Expenditures by Sector 1980-86.

Year	Total	Gener.	Defen.	Educ.	Health	SocSec	Housng	Recr.	Econ.	Other
1978	9032	1007	259	2321	2295	729	180	196	1295	930
1979	10154	912	277	2517	2539	776	262	193	1872	974
1980	10369	922	265	2549	2980	736	229	212	1900	1157
1981	8749	793	231	2070	2602	899	204	144	1330	921
1982	6886	706	203	1555	2256	772	201	117	1029	798
1983	8822	775	268	1709	1984	1275	235	451	1778	907
1984	9614	904	295	1768	2358	1076	558	251	1819	1053
1985	9691	932	270	1817	2222	1409	181	228	1678	1109
1986	13083	1290	286	2122	2530	2516	974	428	1605	1516
	Annual Growth in Expenditures by Sector in Constant Terms									
1979	12.43	-9.39	6.96	8.41	10.63	6.45	45.34	-1.50	44.60	4.65
1980	2.11	1.10	-4.25	1.27	17.37	-5.16	-12.59	10.17	1.48	18.82
1981	-15.62	-14.03	-12.84	-18.77	-12.69	22.13	-11.13	-32.31	-29.99	-20.38
1982	-21.29	-10.90	-12.27	-24.91	-13.30	-14.14	-1.21	-18.56	-22.62	-13.42
1983	28.12	9.64	32.38	9.94	-12.06	65.18	17.02	285.38	72.80	13.74
1984	8.98	16.64	9.76	3.45	18.88	-15.59	137.17	-44.35	2.29	16.08
1985	0.80	3.19	-8.29	2.74	-5.75	30.91	-67.62	-9.36	-7.71	5.31
1986	35.00	38.37	6.03	16.82	13.85	78.62	439.19	88.04	-4.36	36.72
Compound growth 1980 to 1986 (Percentage)										
	3.95	5.75	1.30	-3.00	-2.69	22.74	27.29	12.38	-2.77	4.61
Ratio of Expenditures in 1986 to 1980.										
	1.26	1.40	1.08	0.83	0.85	3.42	4.25	2.01	0.85	1.31

Derived from: IMF. Government Finance Statistics Yearbook 1989.

The immediate origin of the Venezuelan fiscal crisis is in the early 1980s, particularly after the 1982 decline in world prices of oil. In 1982 petroleum exports dropped 21 percent, while payments on the foreign debt increased 27 percent. In addition, persistent rumors of devaluation fueled capital flight, all of which meant a loss of U.S. $7 billion in international reserves in 1982. This led the government to implement

restrictive fiscal spending policies and successive programs of adjustment.[45]

Successive deteriorations of the oil markets further contracted exports earnings; in February 1983 the government had to put a moratorium on the foreign debt. During the rest of the 1980s, the government continued efforts to stabilize the economy with measures that included closing the fiscal deficit. How did these pressures affect education?

The adjustment process also changed the priority of education in relation to other areas of expenditure of the Venezuelan government, as can be seen in Table 10. During 1983, there were harsher economic adjustments, as government expenditures declined 18 percent. Expenditures declined in almost all sectors that year, with the exceptions of defense (which increased 24 percent), housing (which increased 200 percent), and education (which increased 3 percent). Between 1981 and 1986, government expenditures had been cut 23 percent in real terms, these reductions affected education, general expenditures, social security, recreation, and economic services. By contrast, defense expenditures had increased by 15 percent and housing expenditures by 71 percent in the same period.

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[45]Economic Commission for Latin America and the Caribbean, Economic Survey of Latin America and the Caribbean 1982 (Santiago: ECLAC, 1984).

Table 10. Total Expenditures of the Central Government in Venezuela in Constant Millions of Bolivars (1980) and Annual Growth in Expenditures by Sector 1981-86

Year	Total	Gener.	Defen.	Educ.	Health	SocSec	Housng.	Recr.	Econ.	Other
1977	61781	5237	3543	9316	4959	3504	2073	386	22705	10606
1978	63249	5719	3648	9437	4914	3894	685	506	21402	14225
1979	54374	5178	3632	9852	4801	3548	1828	489	9309	16548
1980	55819	6694	3241	11119	4921	4300	1029	793	11270	13124
1981	72680	5224	2808	11663	5504	5073	1548	1025	23755	16273
1982	66319	3927	3865	10399	5022	4577	1614	1322	15900	19990
1983	54242	2129	4790	10728	4696	3795	4920	1076	7691	13994
1984	54334	2334	4601	10400	4719	3493	2682	825	11145	14025
1985	55889	1574	2732	11012	5032	3186	2178	482	12295	15903
1986	55760	1472	3233	10905	5586	3855	2653	497	9662	15439
Annual Growth in Expenditures by Sector in Constant Terms (Percentage)										
1978	2.38	9.20	2.97	1.30	-0.92	11.14	-66.95	31.12	-5.74	34.12
1979	-14.03	-9.45	-0.44	4.39	-2.30	-8.88	166.74	-3.42	-56.50	16.33
1980	2.66	29.27	-10.77	12.86	2.50	21.18	-43.70	62.15	21.06	-20.69
1981	30.21	-21.97	-13.36	4.90	11.85	17.98	50.40	29.20	110.78	23.99
1982	-8.75	-24.81	37.64	-10.84	-8.76	-9.77	4.27	29.00	-33.07	22.85
1983	-18.21	-45.79	23.95	3.16	-6.48	-17.09	204.90	-18.56	-51.63	-30.00
1984	0.17	9.61	-3.95	-3.05	0.48	-7.96	-45.49	-23.39	44.91	0.22
1985	2.86	-32.54	-40.63	5.88	6.63	-8.78	-18.77	-41.59	10.31	13.39
1986	-0.23	-6.51	18.35	-0.97	11.02	21.00	21.80	3.11	-21.42	-2.92
Compound Growth 1981 to 1986 (Percentage)										
	-5.16	-22.38	2.86	-1.34	0.30	-5.34	11.39	-13.48	-16.47	-1.05
Ratio 86 to 81										
	0.77	0.28	1.15	0.93	1.01	0.76	1.71	0.48	0.41	0.95

Derived from: IMF. Government Finance Statistics Yearbook 1989. (Washington, D.C.).

Changes in the Structure of Education Expenditures and Other Distortions of the Adjustment

In Costa Rica and Venezuela, educational expenditures within the Ministry of Education adjusted to these reductions in overall levels of expenditures in ways which reflect the structural and institutional rigidities of the budget.

For instance, in Costa Rica capital expenditures were cut disproportionately, consequently, recurrent expenditures in education have increased from 91.3 percent in 1980 to 95.2 percent in 1985.[46] More recent estimates indicate that the percentage for recurrent expenditures has increased even further in recent years, reaching 99 percent in 1987.[47]

The impact of the adjustment was larger in the lower levels of the system. Educational expenditures for basic education declined in real terms at an average of 4.78 percent per year between 1980 and 1987, while for higher education the decline was only 0.25 percent per year on average during the same period.

As a percentage of the total education budget, expenditures in basic education declined from 63 percent in 1980 to 54 percent in 1987, while expenditures in higher education increased from 34 percent to 40 percent.

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[46]Unless otherwise noted, the data discussed in this section come from several tables in the Statistical Appendix of M. Lockheed and A. Verspoor, Improving Primary Education in Developing Countries: A Review of Policy Options (Washington, D.C.: The World Bank, mimeo, 1989).

[47]World Bank, Costa Rica: Public expenditure review... p. 6.

Table 11. Educational Expenditures in Costa Rica by Level of Education in Constant (1978) Colones.

	1980	1982	1984	1986	1987	Annual Growth
Basic	1189	533	633	825	847	-4.78%
INA	69	34	79	107	103	
Higher	639	382	480	628	628	-0.25%
Total	1897	949	1192	1560	1578	
Percentage Spent by Level of Education.						
Basic	62.68	56.16	53.10	52.88	53.68	
INA	3.64	3.58	6.63	6.86	6.53	
Higher	33.68	40.25	40.27	40.26	39.80	

Derived from: Memorias de la Contraloria General de la Republica. Costa Rica.

Although real expenditures per student decreased in all levels of education, this decline was sharper in primary education (averaging 7 percent per year) and smaller in higher education (averaging 2 percent per year). In 1986 per student expenditures in primary education were 65 percent of their levels in 1980; for secondary education they were 74 percent in general secondary and 77 percent in technical; and in higher education they were 90 percent of their 1980 levels.

Table 12. Real Expenditures Per Student by Level (1978 Colones) in Costa Rica.

	1980	1986	Annual Growth	Ratio 86 to 80
Primary	1629	1064	-6.85%	0.65
Secondary General	2218	1642	-4.89%	0.74
Secondary Technical	4055	3122	-4.26%	0.77
Higher	12629	11375	-1.73%	0.90

Derived from: World Bank. Costa Rica: Public Expenditure Investment Review. 1989.

As in Costa Rica, the Venezuelan Ministry of Education adjusted to the reductions in overall education expenditures in ways which seem inconsistent with efficiency and equity goals.[48] Recurrent expenditures in education increased from 95.1 percent in 1980 to 95.9 percent in 1985.[49]

Table 13 shows the changes in expenditures of the Ministry of Education in real terms (at 1980 values) in different levels of education; these refer only to expenditures of the Ministry of Education which accrue to specific levels, other expenditures such as administrative expenditures, and expenditures in the National Library are not included. There are also contributions at the municipal and state level which are not included here,

[48]For an interesting discussion about the complementarities between efficiency and equity in social spending see N. Birdsall, and E. James, Efficiency and Equity in Social Spending (Washington, D.C.: World Bank, Policy, Research, and External Affairs Working Papers, 1989).

[49]Unless otherwise noted, the data and figures presented in this section are from the Statistical Appendix in Lockheed and Verspoor 1989, op. cit.

typically expenditures per pupil or teacher salaries are lower in those schools than in national (ministry) schools. We can see a significant decline in the levels of total expenditures in all levels, at annual rates neighboring 10 percent per year. The reductions in real terms are higher in basic education, high schools, and adult education, and smaller in preschool, special, and higher education. Expenditures in basic education in 1989 were 46 percent in real terms of what they were in 1981; expenditures in higher education were 60 percent in 1989 of their 1981 value.

Table 13. Expenditures by Level and by Student in Venezuela 1981 to 1989.

	1981	1982	1983	1984	1985	1986	1989
Expenditures in Million of Bolivares 1980 prices							
Preschool	348.00	377.00	385.00	372.00	417.00	391.00	190.00
Basic	2729.84	2730.29	2636.10	2465.29	2651.57	2472.42	1262.35
High Scho	749.82	729.13	708.71	637.96	648.67	595.61	284.11
Special	94.19	106.93	105.76	107.54	119.22	112.22	55.81
Adult	273.19	261.93	256.11	234.33	250.98	230.68	101.77
Higher	4434.80	4256.92	3830.54	3503.57	3766.69	3040.50	2668.76
All Teach.	8629.54	8462.63	7922.61	7321.09	7854.46	6842.33	4562.99

Derived from: Ministerio de Educación. Memoria y Cuenta. 1986 and 1989.

The Impact in Teacher Salaries

In Costa Rica, most of the expenditures in primary education in 1985 were for salaries (98.4 percent).

Average teacher salaries suffered net reductions between 1980 and 1986 in primary and secondary education. While salaries of primary school teachers grew an average of 10.27 percent per

year between 1975 and 1980, they declined 6.71 percent per year between 1980 and 1986. In 1986 salaries of primary school teachers were 66 percent of their 1980 levels. By comparison, in the rest of the economy after the declines of 1981-82, real wages had regained by 1986 their prerecession levels; for instance average wages in the public sector in 1986 were 26 percent higher than in 1983 in real terms. The minimum legal wage was 20 percent higher in real terms in 1986 than in 1983 and 71 percent than in 1975.[50]

Table 14. Average Salary of Teachers (1975 Colones) in Costa Rica.

Year	Primary Education Salary	Growth	Secondary General Salary	Growth	Secondary Technical Salary	Growth
1975	1840		2398		2361	
1980	3000	10.27%	3042	4.87%	2945	4.52%
1986	1978	-6.71%	1804	-8.34%	1761	-8.21%
Ratio 1986-80	0.66		0.59		0.60	

Derived from: J. Sanguinetty, La Educación General en Costa Rica. 1988. 18.

In Venezuela a substantial portion of the money allocated by level goes to teacher salaries as can be seen in Table 15. Although the percentage for salaries increases in recent years,

[50]Economic Commission for Latin America, Economic Survey of Latin America and the Caribbean 1986 (Santiago: ECLAC, 1989), p. 224.

for pre-school and basic education less than 1 percent of all expenditures are for non-salary items.

Table 15. Percentage of Expenditures by Level for Teacher Salaries in Venezuela 1980-1989.

	1980	1986	1989
Pre-School	97.54	99.46	99.33
Basic	97.82	99.38	99.16
Secondary	96.45	97.27	96.08
Special	98.01	98.41	98.16
Adult Education			
Primary	80.99	92.00	92.98
Secondary	97.98	99.20	99.03
Arts & Crafts	94.57	96.73	95.82

Derived from: Ministerio de Educación. Memoria y Cuenta. 1986 and 1989.

We do not have solid data for changes in teacher salaries. Table 16 summarizes available data, which suggest that between 1982 and 1985 salaries of primary school teachers decreased in real terms almost 9 percent a year on average. This decline is slightly more than that experienced by construction workers. This is a tough standard of comparison as the construction industry was one of the urban industries hardest hit by the recession.[51] By comparison, salaries of bus drivers increased by over 2 percent a year in the same period. Average urban incomes decreased 7.48 percent per year in the same period.

[51]In 1985 unemployment in the construction industry was 30%, compared to 11.5% in all economic sectors. Economic Commission for Latin America and the Caribbean, Economic Survey of Latin America and the Caribbean 1988 (Santiago de Chile: ECLAC, United Nations, 1989), p. 622.

Salaries of primary teachers were 4.4 times the minimum wage in 1982 and declined to 3 times the minimum wage in 1985. They were 40 percent more than salaries of bus drivers in 1982 but 97 percent the salaries of bus drivers in 1985.

Table 16. Annual Income of Primary School Teachers and of Other Occupations in Venezuela in Constant Bolivars of 1980.

	1982	1985	Growth
Primary School Teachers	34075	26039	-8.58
Bus Drivers	24782	26743	2.57
Construction Workers	16521	12668	-8.47
	1983	1985	
Minimum Urban Income	7668	8676	6.37
Minimum Rural Income	6396	7572	8.81
Average Urban Income	24348	20844	-7.48
Average Rural Income	13296	10860	-9.62

Primary school teacher has taught in the public schools for about ten years, approximately thirty-five years old, married, no children. Source: First three rows from Union Bank of Switzerland, Prices and Earnings Around the Globe, 1982 and 1985. Last four rows Economic Commission for Latin America and the Caribbean, Economic Survey of Latin America and the Caribbean 1987.

From Reductions in Expenditures to Declines in Quality

How have these changes in the levels and types of education expenditure influenced the behavior of the education system? These fiscal cuts constrained the ability of the educational system to expand (schools and teachers) at rates commensurate to the demand for schooling and led also to a decline in the quality of the education provided to the fortunate children who maintained a place in school. In addition, these cuts prevented

the education system from addressing the equity disparities which existed even in times of fiscal abundance.

In Costa Rica, although 200 primary schools were built[52] between 1980 and 1985, access to primary school has suffered, as suggested by the decline in the net enrollment of children six to eleven from 92 percent in 1975 to 89 percent in 1980 and then to 84 percent in 1985.

The reduction in the capacity of the public sector to keep up with the demand for places is also suggested by an increase in the percentage of primary school students in private schools which increased from 2.6 percent in 1980 to 3.5 percent in 1985. A report based on data from the Ministry of Education documents an increase of private schools at all levels between 1980 and 1987, from 12 percent to 18 percent for preschool, from 2.6 percent to 4 percent for primary schools, from 6.7 percent to 7.4 percent for secondary schools and from 10.5 percent to 19.2 for higher education.[53] Overall, the share of the private sector is relatively small.

Reductions in real terms in the education budget also constrained the ability of expanding the number of primary school teachers. The number of primary school teachers declined, from

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[52]This increase in the number of schools from 2,900 in 1980 to 3,100 in 1985 led to marginal declines in the average number of children per school from 120 to 117. (Lockheed and Verspoor 1989, op. cit., Table 8).

[53]M. Riboud, Costa Rica: Public Sector Social Spending (Washington, D.C.: World Bank, mimeo, 1990), p. 12.

12,600 in 1980 to 11,500 in 1985. At the same time the average number of students per teacher increased from 28 to 31.

For instance, Table 17 shows that between 1980 and 1986 the number of teachers in primary and secondary education decreased at an annual average of 1 percent and 1.7 percent, respectively, while for higher education teachers increased at an average of 2.93 percent per year. The number of students in secondary education decreased 2.79 percent per year on average, while this could reflect actual decreases in the number of children in this age-cohort during those years; it may also reflect that more youngsters were entering the labor force to contribute to household income. From 1979 to 1982 "non-heads of household increased their labor force participation from 57.3 percent to 63.5 percent for men and from 23.6 percent to 26.7 percent for women. As a result, in 1981 and 1982 twice as many persons in the labor force were seeking work for the first time as was the case in 1979 and 1980."[54]

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[54]Fields, 1985, quoted in Vedova, op. cit. p. 7.

Table 17. Number of Institutions, Teachers and Students by Level in Costa Rica 1975-1986.

	Preschool			Primary			Secondary		Higher	
Year	Sch.	Teach.	Stdnt.	Sch.	Teach.	Stdnt.	Teach.	Stdnt.	Teach.	Stdnt.
1975	318	500	15608	2770	12429	361303	4929	111538		32794
1980	370	673	21857	2936	12596	348674	7157	135830	4382	47340
1981	424	739	23969	2944	10556	348616	6955	133909	4317	
1982	450	752	27584	2971	10312	342373	7307	130337	4343	
1983	483	841	31008	2993	10316	343800	7107	122836		47234
1984	492		29220	3035		350658		117412		47305
1985	536	1302	36356	3091	11526	362877		112531		50047
1986	568	1184	38705	3107	11785	380384	6469	114655	5211	50033
Annual compound growth (percentage)										
75-80	3.08	6.12	6.97	1.17	0.27	-0.71	7.74	4.02		7.62
80-81	14.59	9.81	9.66	0.27	-16.20	-0.02	-2.82	-1.41	-1.48	
81-82	6.13	1.76	15.08	0.92	-2.31	-1.79	5.06	-2.67	0.60	
82-83	7.33	11.84	12.41	0.74	0.04	0.42	-2.74	-5.76		
83-84	1.86		-5.77	1.40		1.99		-4.42		0.15
84-85	8.94		24.42	1.85	5.70	3.48		-4.16		5.80
85-86	5.97	-9.06	6.46	0.52	2.25	4.82	-3.09	1.89	4.66	-0.03
80-86	7.40	9.87	9.99	0.95	-1.10	1.46	-1.67	-2.79	2.93	0.93

Derived from: UNESCO. Statistical Yearbook. Several Years.

The decline in the quality of education provided is reflected in an increase in the percentage of repeaters in primary school, from 7.9 percent in 1980 to 10.6 percent in 1988. The deterioration is higher for the early grades and for the evening classes in secondary education as seen in Table 18.

Table 18. Repetition Rates in Primary Education in Costa Rica.

Level	1980	1982	1984	1986	1988
Primary	7.8	7.1	11.2	10.2	10.6
Grades1-3	11.1	9.8	14.8	14.2	14.4
Grades4-6	3.8	3.8	6.2	5.3	6.3
Secondary					
Day	7.6	6.9	10.0	8.6	8.8
Evening	6.8	15.0	20.6	23.2	19.8

Source: Ministry of Education. Quoted in M. Riboud. 1990. Costa Rica: Public Sector Social Spending. World Bank. Mimeo. Page 43.

While in 1980 90 percent of the students of primary education on average were admitted to the next grade, in 1986 this figure declined to 85.6 percent; for secondary education the decline was from 66.2 percent to 54.4 percent.[55] Only 66 percent of children entering primary school will reach the end of 6th grade. Only 41 percent will do it without repeating.[56]

Another indicator of the decline in quality is the increase in the number of student years per graduate, from 7.2 in 1980 to 7.8 in 1985.

> National achievement tests in mathematics, first introduced in 1986, indicated that only 37 percent of children in the 6th grade, 16 percent in the 9th grade and 1.5 percent in the 11th grade were able to obtain a grade equal or superior to the minimum acceptable standard.[57]

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[55]World Bank, Costa Rica: Public expenditure investment review... p. 8.

[56]Fields, 1985, quoted in Vedova 1986, p. 7.

[57]M. Riboud, Costa Rica: Public Sector Social Spending (World Bank, mimeo, 1990), p. 42.

The response of the education sector to the adjustment programs made the distribution of benefits of public spending in education among income groups more unequitable. While in 1977 the 30 percent poorest households captured 31 percent of the resources spend on education, by 1986 their share had declined to 27 percent of public spending on education. By contrast, the 40 percent richest group of households increased their share of public spending in education from 38.6 percent in 1977 to 45.4 percent in 1986.[58]

In Venezuela, the growth of the education system continued reflecting higher priorities for higher levels. The number of students enrolled in primary education in public schools increased 1.83 percent per year between 1979 and 1988, in public secondary schools enrollments increased 2.85 percent per year and in public institutes of higher education they increased 4.08 percent per year.[59]

The number of primary schools increased from 12,300 in 1980 to 13,200 in 1985--most of this was in the private sector as we will see--this growth did not keep pace with the growth in the school population and hence the average number of children per school, increased from 200 to 210 in the same period.

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[58]P. Sauma and J. Trejo, "Evolucion Reciente de la Distribución del Ingreso en Costa Rica (1977-1986)," cited in M. Riboud, Costa Rica: Public Sector Social Spending (Washington, D.C.: World Bank, mimeo, 1990), p. 37.

[59]Ministerio de Educación, Memoria y Cuenta (Caracas: Ministerio de Educación, 1990).

There was an increase in the percentage of primary school students in private schools, from 11.1 percent in 1980 to 11.5 percent in 1985.

In spite of the declines in expenditures in education in real terms--and benefitting from the declines in teacher salaries in real terms--the number of primary school teachers increased from 92,600 in 1980 to 108,100 in 1985; there was a marginal decline in the number of students per teacher from 27 in 1980 to 26 in 1985.

We can see in Table 19 that between 1979 and 1985 enrollments in the public sector grew faster in preschool, followed by secondary education. Increases in primary education averaged 2 percent per year. For private education, however, primary enrollments grew by 16 percent between 1979 and 1985, while secondary enrollments grew by 13 percent, suggesting that as public supply did not keep up with demand for schools private demand increased. Another indicator of the neglect of the public primary schools is the fact that between 1979 and 1985 only fifteen primary schools were built, during the same period the private sector built 243 primary schools. While there are no differences in the growth in enrollments in primary schools between 1979-85 and 1985-88, for secondary education the growth of enrollments in public schools diminishes dramatically, from 4.44 percent per year between 1979-85 to less than 1 percent per year in 1985-88. Preschool enrollments also declined in recent years. Unfortunately, it is not possible to examine trends in

number of teachers and schools in recent years as the statistical yearbook produced by the Ministry of Education has stopped publishing this information.[60]

Table 19. Enrollments, Teachers and Institutions in Venezuela 1979-88.

	Preschool Students		Teachers	
Year	Public	Priv.	Public	Private
1979	275654	68633		
1980	348654	72529	12849	3638
1981	383585	77432	13132	3551
1982	418072	81021	14343	3838
1983	442753	80565	15440	4008
1984	462051	84170	16865	4180
1985	475564	86282	17794	4308
1986	459350	90026	18688	4490
1987	460561	92346	19674	4227
1988	458617	97316	19956	4218
Change				
79-85 %	73	26	38	18
Growth	9.52	3.89	6.73	3.44
85-88 %	-3.56	12.79	12.15	-2.09
Growth	-1.20	4.09	3.90	-0.70

[60]I interviewed staff in the planning and research units of the Ministry of Education in June 1990, and several of them told me they were very dissatisfied with the new report, with the reductions in resources for them to do their work and generally with the lack of impact that their divisions seemed to have in decision making within the ministry.

Table 19. Enrollments, Teachers and Institutions in Venezuela 1979-88. continued...

Year	Primary (Grades 1 to 6)					
	Students		Teachers		Schools	
	Public	Private	Public	Priv.	Public	Private
1979	2182104	274711	84774	13525	11710	1216
1980	2239421	290842	80817	11734	11587	1143
1981	2285712	305339	84508	12537	11575	1213
1982	2317000	302844	86469	12704	11600	1230
1983	2338398	302982	86894	13184	11402	1289
1984	2399860	310473	90202	13893	11554	1363
1985	2451105	319415	93313	14812	11725	1459
1986	2543765	336568				
1987	2605028	320635				
1988	2616665	350445				
Change						
79-85 %	12	16	10	10	0	20
Growth %	1.96	2.54	1.61	1.53	0.02	3.08
85-88 %	6.75	9.71				
Growth %	2.20	3.14				

	Secondary (Includes grades 7 and 8 of Basic)					
Year	Students		Teachers		Schools	
	Public	Private	Public	Priv.	Publi	Priva
1979	656008	164652	37799	12052	993	541
1980	681986	168848	40581	12574	1078	567
1981	713091	171142	41654	12946	1241	698
1982	756040	173916	45157	13568	1434	792
1983	786161	177202	46537	13964	1486	710
1984	825255	182387	48907	16645	1508	733
1985	851236	186714	50642	15462	1510	767
1986	858937	199121				
1987	879985	196201				
1988	869229	219483				
Change %						
79-85 %	30	13	34	28	52	42
Growth	4.44	2.12	5.00	4.24	7.24	5.99
85-88 %	2.11	17.55				
Growth%	0.70	5.54				

Source: Ministerio de Educación. Memoria y Cuenta, 1986 and 1989. Caracas.

These changes in the conditions of teaching influenced the quality of instruction, particularly of the higher grades of the

basic cycle. While the percentage of primary school children who complete primary school increased from 68.5 percent in 1980 to 73.1 percent in 1985, the number of dropouts increased in recent years, particularly in the last years of basic education. While 24 percent of the students in the seventh grade dropped out in 1979, this figure increased to 26 percent in 1987. For the eighth grade the dropout rates increased from 13 percent to 16 percent in the same period. For the ninth grade they increased from 12 percent to 17 percent in the same period.[61]

There were no improvements in the number of student years per graduate in primary education which remained stable at 7.8 between 1980 and 1985.

Table 20 presents continuation rates over time. The rates are proxies of efficiency rates--there is no correction for repeaters in end year--obtained as percentage of children in first grade at the beginning year who are enrolled in sixth or ninth grade, six or nine years later, respectively. We can assume that the difference to 100 percent are either repeaters or dropouts. Table 20 points to a persistent disparity between private and public schools, on average in the period examined, while only 56 percent of children in public schools, who entered first grade in academic year 1983-84, are enrolled in the sixth grade in year 1988-89; in private schools 87 percent of them reach the sixth grade in six years. The difference is even

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[61]Ministerio de Educación, 1990, Memoria y Cuenta 1989 (Caracas: Ministerio de Educación, 1989).

sharper for continuation from first grade to ninth grade, while only 33 percent of children in public schools complete nine grades in nine years, 80 percent of children in private schools do it in the same period. Although it is clear that the gap is partly a result of differences in the socioeconomic background of children attending public and private schools, the gap also suggests that the Venezuelan system is failing to obtain equality of educational opportunity (measured as outcomes) with children from different social backgrounds. An interesting finding is the decline in continuation rates in private schools over time, suggesting either declines in efficiency or transfers of children in higher grades from private to public schools.

Table 20. Trends in Continuation Rates in Public and Private Schools in Venezuela.

Promotion 1 to 6			Promotion 1 to 9		
Period	Public	Private	Period	Public	Private
75/76-80/81	56.37	91.28	72/73-80/81	33.55	81.57
76/77-81/82	57.21	95.15	73/74-81/82	34.62	84.60
77/78-82/83	55.43	90.62	74/75-82/83	34.01	84.93
78/79-83/84	55.86	86.40	75/76-83/84	32.76	82.98
79/80-84/85	55.36	85.43	76/77-84/85	34.03	83.35
80/81-85/86	55.32	81.58	77/78-85/86	33.68	81.03
81/82-86/87	56.90	82.16	78/79-86/87	33.26	80.08
82/83-87/88	57.79	79.31	79/80-87/88	32.22	72.11
83/84-88/89	59.04	86.94	80/81-88/89	30.69	73.89
Average	56.59	86.54		33.20	80.51

Derived From: Ministerio de Educación. Memoria y Cuenta. 1980, 1986, 1989.

These differences in efficiency rates between public and private schools are consistent with the findings of a study of schools in the metropolitan area of Caracas, which identified clear gaps in the quality of resources and instruction in elite schools and public schools; the study found that in public schools the pervasive use of substitute teachers leads to reductions in the time spent in instruction as substitutes spend most of their time as disciplinary guardians.[62] The relatively small amount of time spent in instructional activities is confirmed by another classroom observation study in the State of Anzoategui, which found that only 40 percent of the five daily hours of the school day were spent in instructional activities.[63] This study also pointed out the low quality of resources and instructional activities in the schools:

> Frequently the number of chairs for students is less than the number of students in a class, so students who arrive late spend a fair amount of time wandering around the school looking for a chair in the other classrooms.[64]

Discussion and Implications of these findings.

How did the programs of economic adjustment that Latin American countries implemented during the 1980s affect education?

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[62]G. Bronfenmajer and R. Casanova, La Diferencia Escolar, (Caracas: Editorial Kapelusz Venezolana, 1986).

[63]N. Rodriguez, La Educación Básica en Venezuela (Caracas: Biblioteca de la Academia Nacional de la Historial, 1989).

[64]N. Rodriguez, ibid., p. 92.

Examining trends for the countries of the region we saw that during the 1980s educational expenditures declined in most countries, in terms of actual and per capita expenditures in real terms, and relative to total government expenditures as well. The cuts of the 1980s eliminated the increases in financing of education of the 1970s.

Faced with these cuts, Ministries of Education in turn adjusted in the ways which were perhaps most feasible, and politically convenient, although suboptimal from the point of view of efficiency and equity. For instance, capital expenditures suffered disproportionately, the impact of the cuts was also sharper in non-salary items such as teaching materials and in the lower levels of the education system. The existing evidence suggests that these cuts in fiscal resources had a negative influence on educational efficiency. Net enrollment rates in primary education declined in six countries and barely improve in six other countries. The high rates of repetition did not improve, hence wasting increasingly scarce resources.

Although enrollments in private schools increased marginally, this response is unlikely to address the losses in equity in the provision of education which may result from the adjustment.

A more detailed examination of the dynamics of the adjustment in two countries with long-standing democracies, of different levels of income, degrees of urbanization and population size, Costa Rica and Venezuela present striking

similarities in the ways the education system responded to financial adversity. The disproportionate reductions in educational expenditures, particularly of expenditures in lower levels of the education system, are even more striking given the stated political priority of education in both of these societies. It is surprising, for instance, that in both of these countries defense expenditures increased during the adjustment, while education and health expenditures decreased. Teacher salaries in Costa Rica and Venezuela suffered declines in real terms which exceed the declines in income of other groups.

The financial deterioration of the education system was accompanied by a deterioration of quality as suggested by the increase in repetition rates (Costa Rica) and of dropout rates (Venezuela) and by the decline in net enrollment ratios. The educational costs of adjustment should be measured not only in terms of what deteriorated, but in terms of what did not improve, namely the severe inequities in access to education.

Why has this new scenario led to changes in the priority of education vis-a-vis other sectors and to changes in the structure of the education budget? There are several levels to try to analyze this question. At one level these changes are the outcomes of bureaucratic politics and more simply of the relative strengths and weaknesses of the organizations involved. The disproportionate reductions in education can be interpreted as expressing a lack of ability of the education sector to negotiate and defend its budget with the economic cabinet. Structural

adjustment has increased the power of the economic cabinet to set ceilings to the requests of the different ministers. For instance, in Costa Rica at the end of 1979, the government established the "budgetary authority," which included the ministers of housing, economy, planning, and the president of the central bank.

> The main function of this authority is to formulate general standards within which the budgetary policy of the "non-financial public sector" should be framed ...[65]

The education sector did not have the organizational and human capacity to bargain effectively with this new set of actors in the cabinet. One of the participants in the preparation of the last National Development Plan in Venezuela told me in the summer of 1990 that the division in charge of education and human resources was the weakest within the planning ministry (CORDIPLAN) and had the most difficulty (compared to the other sectors) articulating the role of education in the new development plan. A different perspective was offered by those I interviewed in the planning and research units in the Ministry of Education; in their view their work had little bearing in the decisions of the minister, this was due partly to the fact that the minister of education was an outsider to the education system

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[65]Economic Commission for Latin America and the Caribbean, Economic Survey of Latin America and the Caribbean 1980 (Santiago de Chile: United Nations, 1982), p. 80.

(a former manager in one of the main breweries) and his core of advisors (personal de confianza) were all outsiders to the Ministry of Education. Independent of which perspective one chooses to explain it, both points of view coincide in recognizing a gap between decision making and policy analysis. The fact that the latest yearbook (Memoria y Cuenta) of the Venezuelan Ministry of Education omits information on the number of teachers and institutions at different levels suggests that educational policy debate and dialogue has to do without the most elementary factual information about the education system. A progressive decline in the detail of information reported in the yearbooks of the Venezuelan Ministry of Education is noticeable; for instance, in 1980, the yearbook included information on number of students passed at the end of the year by level--that information is no longer available. The politization of educational decision making in Latin America has traditionally undermined the role of technical analysis.[66] For instance, in Venezuela, a former director of the research unit in the Ministry of Education explained how when the government changed, the computer records of a project to measure student achievement were destroyed and the project dismantled.

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[66]Several factors may account for this: an important one is the different time horizons of politicians and technicians. The job of politicians has a short term bias. When this results in major discontinuities of programs and projects, the job of the analyst is undermined.

The costs to society of misinformed decisions are higher in a time of scarcity. The fact that the public school system in Venezuela could only build fifteen schools between 1979 and 1985, while 15 percent of its poor and rural children do not have access to the most elementary form of education would be grave under any circumstance, but particularly when resources are scarcer.

It is possible that decision makers would choose to ignore the results of analysis and policy research even if those were available. The fact is that this is hard to check in the absence of such analysis.

Another example from Venezuela illustrating the lack of ability of the education sector to justify itself at the highest levels of policy is the education report produced for the Commission of State Reform. In the 1980s, the government appointed a commission that would look into every major sector of State action and produce analysis and recommendations, the document that summarizes that analysis for primary education concludes: "There is no evidence of poor results of the State performance in this field."[67]

The fact that a report which is expected to inform such an important endeavor as the reform of the state neglects to even mention the inequities in the provision of education, and the

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[67]República de Venezuela, Comisión de Estudio y Reforma Fiscal. "La Reforma del Sistema Fiscal Venezolano," vol. 12, La Educación en Venezuela. Su Costo y los Resultados Obtenidos, parte I (Caracas: COPRE, 1987), p. 61. my translation.

persistent failure of the state to increase net enrollments significantly, facts which have been reported by other studies[68] is, to say the least, an oversight.

At another level the impact of the adjustment in education can be understood from the standpoint of political economy. Political analysis would explain why education suffers more than defense for instance (aside from the contributions of each of these sectors to development); why teacher salaries suffer more than salaries in other sectors; why budgets for teaching materials or school buildings are depleted in favor of teacher salaries; and why lower levels of education suffer more than higher levels.

Education as a sector seems to have declined as a political priority, even in countries such as Costa Rica and Venezuela in which it was a fundamental component of the political project of democratization. A former member of the Arias cabinet told me that in the government's view education had become less of a priority for the population, particularly given the economic crisis. The effects of declines in education were long-term,

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[68]See, for instance, G. Ruscoe, "Education Policy in Venezuela" in J. Martz and D. Myers, Venezuela: The Democratic Experience (New York: Praeger, 1977), pp. 255-282.

L. Hung and R. Pinango, "Crisis de la Educacion o Crisis del Optimismo y el Igualitarismo?" in M. Naim and R. Pinango, El Caso Venezuela (Caracas: Ediciones IESA, 1984), pp. 422-450.

G. Bronfenmajer and R. Casanova, La Diferencia Escolar, (Caracas: Editorial Kapelusz Venezolana, 1986).

E. Schiefelbein, "Venezuela-Social Sector Review" (Washington D.C.: World Bank, Human Resources Division, Technical Department, Latin America and the Caribbean Region, 1988).

while the lack of jobs and housing were immediate. "Politicians don't win elections campaigning for education," he said.

Aside from the political value the population at large places on education, the sector has political power which depends on large numbers of organized workers. There are signs that the recent responses of some Latin American governments suggest attempts to demobilize this political population; this would explain why the current secretary of education in Mexico is a former minister of the interior (internal security), and the minister of education in Venezuela a former manager of one of the largest industries. In September 1990 the Venezuelan Minister of Education "decapitated" the teacher union, by exposing several acts of corruption of its leadership. The point here is not whether the union leaders were corrupt or not, but rather that these are selective practices of political demobilization. No similar attempt was made regarding the workers and teacher unions of the universities, for instance, which as we have seen serve primarily the socioeconomic elites.

The rational base to justify reasons of concern about the administrative probity of the teacher unions in Venezuela could certainly be extended to other political groups (e.g. the military) or to other levels of education. For instance, there is a sharp contrast in the student/staff ratios between the public and private universities. While the public universities have twelve students per employee, the private universities have seventy-five students per employee. This suggests that there is

room for savings if the number of staff in the public sector moved closer to the ratios in the private sector. But in the short run this would be resisted by those most directly affected, and their numbers are not insignificant. The public institutions of higher education in Venezuela include 367,388 students, 26,232 teachers, and 29,441 staff. With this scenario it is not surprising that some of the people responsible for assigning 50 percent of all the resources in education to the universities--in the middle of a severe economic crisis--claim that this situation cannot be changed. When I asked the director of planning and budgeting of the Ministry of Education about these imbalances in June of 1990, he said, "There is really nothing we can do about the universities, the best we can do is give them what they want and leave them alone." Memories are still fresh of a minister of education who was fired soon after a public debate in which he had suggested that the higher education sector was receiving too high a share of all resources (although no one confirmed that he was fired because of that, the faculty, staff, and student unions of the universities did create enough political turmoil for him and the government).

One reason why the lower levels of education have less political leverage than the higher levels, in spite of the fact that the number of teachers is larger at the lower levels, is that teachers are dispersed and hence more difficult to mobilize than teachers and students at the higher levels. In 1986, for instance, the 26,232 teachers and 367,388 students in public

institutions of higher education in Venezuela were concentrated in forty-nine institutions, while for basic and secondary education 143,955 teachers and 3,302,341 students were spread in 13,236 institutions.[69] Teachers at higher levels are more than 50 times more concentrated than at lower levels, while institutions at lower levels have an average of ten teachers, at higher levels the average of teachers is 550.

The politics that account for the changes include bureaucratic politics as well. Hence, the disproportionate cuts in primary budgets would result partly from the fact that strikes of university students are politically very important, but also from the fact that the university sector has in many countries of Latin America policy analysis units (oficinas de planeación del sector universitario or their equivalent) more capacity for policy analysis than the Ministry of Education. Hence, the higher education sector is better equipped than the other levels to fight both the real political battles in the street and the bureaucratic battles. For instance, in Venezuela planning activities for the Ministry of Education are carried out by the "Oficina Sectorial de Planificación y Presupuesto," this office includes the planning and budgeting directorates, which include the statistics, evaluation, planning, research, physical planning, and budgeting units for the whole education system

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[69]These figures are from Ministerio de Educación, Memoria y Cuenta (Caracas: Ministerio de Educación, 1986). The latest Memoria y Cuenta does not give figures of teachers and institutions by level.

(excluding higher education). In 1989 "Oficina Sectorial" was staffed by 333 people, to plan and analyze the provision of education for almost five million students at all levels in the public schools. By contrast, the higher university institutions are assisted by the National Council of Universities, an autonomous agency--funded by the Ministry of Education--consisting of four technical offices, which does planning and policy analysis for the universities. In 1989 the National Council of Universities had a staff of 411 to plan education for 489,839 students in public institutions of higher education. In addition, all universities have their own planning and budgeting offices.

Conclusions and Implications for Further Research

I started this paper with the question of whether the adjustment processes in Latin America had changed the priority of education. The results of this analysis indicate that the adjustment has led to declines in education in terms of financial allocations (in absolute and relative terms) with the consequent declines in the performance of the system: rates of growth of the number of teachers, and schools. There are signs of declines in quality, as shown in the slow progress to increase net-enrollment ratios, or modify repetition rates, dropout rates, and the number of years it takes a student to graduate. The adjustments within the education sector have been selective, reflecting the politics of the budgetary process and of educational decision making.

In this context, the best one can predict for the future is a continuation of the decline, especially as deterioration generates a negative momentum. The perspective one chooses to interpret the issues discussed here is crucial to establishing whether these trends can be reversed or not. Grindle and Thomas have proposed an alternative framework of political economy to explain the role of politics in policy design and implementation.[70] After reviewing critically the new political economy that attributes policy decisions to politically rational criteria (power maximization and staying in power) which are economically rational, these authors conclude that this framework is better as a post-hoc explanation than at explaining policy change or how to promote change. As an alternative political economy, they propose a model that gives a central role to policy elites, to how these elites perceive an issue--whether as a crisis situation or one that can be dealt with politics as usual --and to the administrative capacity of government.[71] On the basis of this framework I propose that the trends in the decline of education can be reversed provided policy elites in Latin America perceive the decline in education as a crisis and if the ministries of education have the administrative capacity to

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[70]M. Grindle and J. Thomas, 1990, Public Choices and Policy Change: The Political Economy of Reform in Developing Countries, manuscript.

[71]M. Grindle and J. Thomas, ibid., chapter 8.

analyze, understand and address this crisis. The following section develops these points.

To those groups interested in the improvement in efficiency and equity in the provision of education the challenges are far greater during the adjustment that in earlier times of fiscal growth. Given the prospects of declining resources, management becomes more critical than ever in order to do more with less. Also it is possible that incremental change[72] will not be an effective way to counteract the decline of the education systems set in motion during the adjustment of the 1980s. Systemic education reforms that address the financing of education, management and decision making, delivery of instruction, and the purposes of education are, in my view, the most appropriate way to turn the decline back into progress.[73] But what will stimulate education reforms and new management practices in a context of decline? Events that inform the perceptions of policy elites can contribute to this. Initiatives such as the World Conference on Education for All may provide intellectual--and financial--

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[72]Incremental change would suggest to governments that the decline can be handled in the form of politics as usual. "Under these politics-as-usual circumstances, decision makers are likely to be most concerned about the impact of change on bureaucratic compliance and response and about micropolitical issues such as clientelism and narrow coalition building." M. Grindle, The New Political Economy: Positive Economics and Negative Politics (Cambridge: Harvard Institute for International Development, Development Discussion Paper No. 311, 1989), p. 49.

[73]F. Reimers, A New Scenario for Educational Planning and Management in Latin America: The Impact of the External Debt (Paris: International Institute for Educational Planning, Research Report #81, 1990).

ammunition in the battle to stop the cuts (especially the disproportionate cuts at lower levels of education) and to do more with less. A positive role for the international community would be to stimulate public debate about the consequences of the adjustment for education. The importance of factual information would be enhanced in that debate, educational research, and policy analysis has much to contribute to increasing the knowledge about the consequences of the adjustment.

An agenda for research of this type could start examining the performance of children and schools and move up to include the behavior of organizations such as the ministry of education. Among the areas for study are the consequences of education and of its absence in the current economic scenario in Latin America: 1) the access, achievement, repetition, and dropout of children from different socio-economic groups; 2) the role of different resources such as buildings, organization of the school, teacher background and practices, and their relation to costs per student in explaining those behaviors; and 3) the role of information and policy analysis in decision making in the ministries of education, and whether and how this role was changed by the climate created by the adjustment process.

The implementation of this research agenda need not rediscover what is already known. There is already a lot that is known about these topics in Latin America, and the network of research centers (REDUC) has done a laborious task at compiling, stimulating, and processing this knowledge. As the resources

committed at the World Conference on Education for All look for ways to implement the objectives set forth in Jomtien, the international community could make a contribution to reverse the negative effect of the adjustment in Latin America by helping to bridge the gap between educational researchers and decision makers in the region; processing and presenting the stock of knowledge already existing in the region in ways that capture the attention of decision makers; collaborating in the evaluation and documentation of local solutions to new challenges such as the Escuela Nueva in Colombia or the Maestro de la Calle in Mexico, and the experiences with student achievement testing to measure school quality in Costa Rica and Chile; and finally identifying critical gaps of information in this research agenda.

The children who went (or did not go) to school in Latin America during the period analyzed in this paper; those who repeated; those who dropped out; those who were taught by substitute teachers and who spent only two hours a day of effective instruction; those who wandered around classrooms looking for a chair; those children will be the productive force and the political actors towards the end of this century. In a sense the future of democracy in the region in the next century will be shaped by what happens in the schools today. Will the children going to school in the 1990s in Latin America have a chance at a better education?